

No. 22592

IN THE  
UNITED STATES COURT OF APPEALS

JUL 12 1968

No. 22592

SAN MARINO ELECTRONIC  
CORPORATION,

Appellant,

vs.

GEO. J. MEYER MANUFACTURING  
CO.

Appellee.

FILED

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Appeal from the United States District Court  
for the Central District of California

CROSS-APPELLEE'S ANSWERING BRIEF

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## STATEMENT OF FACTS

In the interest of brevity we do not undertake here to restate the facts, although in many respects the cross-appellant's statement of the facts, both in form of presentation and the adjectives and adverbs used, does not convey an accurate impression on the record.

Contrary to cross-appellant's statement of facts at page 6 of its brief, this litigation was not brought upon SME by Meyer. It was instigated by SME and the scatter-gun patent misuse issues, which are the subject of this cross-appeal, were initiated by SME. There is absolutely nothing in the record to substantiate the statement at page 6 of cross-appellant's brief that its cost in the litigation to date is approximately \$130,000.00.

Meyer is the modest-sized Milwaukee-based company which at the time of the trial had sales of approximately \$50 million per year. (Tr. \*600). It manufactures equipment for brewers and bottlers of soft drinks which is used for washing, handling, filling and capping bottles and cans, as well as other procedures incidental to the operation of a bottle or can line. (Exs. 35, 36; Tr. \*585, \*600-601.) With respect to each of the types of equipment which it manufactures or offers for sale, Meyer has substantial competition, its principal competition

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\* All transcript page references which are preceded by an asterisk (\*) are to the transcript of the misuse portion of the trial on September 27-30 inclusive, 1966. Unasterisked transcript page references are to the transcript of the patent portion of



coming from Barry Wehmiller Company and Crown Cork & Seal Company, both of which sell or have sold machines for inspecting empty bottles for foreign particles which are competitive with the Mark IV Bottle Inspector manufactured and sold by Meyer. (Tr. \*599, et seq.; Ex. 35). Cross-appellant's statement of facts at page 7 of its brief contains several misleading statements respecting Meyer. Contrary to cross-appellant's statement, Meyer is not the largest manufacturer of bottling equipment in the United States, nor does the record support the statement that Meyer admits to having more than 90% of the market for equipment in the bottling handling field. Nor is there any record support for the assertion that Meyer has accumulated somewhat over 200 patents.

The ownership or control of patents is not of fundamental importance in the packaging machinery industry in which Meyer engages. (Tr. \*581-582, Tr. \*604). Most of Meyer's patents originate from inventions made by its own employees. (Tr. \*580-581). In the last twenty-five years it has purchased no more than ten patents. (Tr. \*581). Meyer has no policy against licensing its patents (Tr. \*589), but it receives few requests for patent licenses. (Tr. \*602).

In 1959 Industrial Dynamics Corporation was a very small California company having four or five employees. (Tr. \*439). Its principal officers and majority stockholders were three inventors, Messrs. Calhoun, Wyman and Williams. (R.1689). They had invented a machine to inspect empty bottles for the



presence of foreign particles after they came out of a washer, which they called the Mark IV. (Tr. \*428). They had applied for patents on the inventions that formed the basis of the bottle inspection machine, but the patents had not yet been issued. (R. 1689-1690). Apart from the patent applications IDC had very few assets. (Tr. \*432-434). Calhoun, who became the chief executive officer of the company in 1959, after Messrs. Wyman and Williams had resigned<sup>1</sup>, concluded that IDC had neither the capital nor the marketing experience to manufacture and sell the bottle inspection machine. (Tr. \*434-437). Calhoun wished to develop other products but to do so he needed cash and he needed to affiliate his company with a company that had expertise in marketing and market development of machinery for packaging. (Tr. \*436). For these and other reasons (Tr.\*435-436) he decided to sell the patent applications outright or license them under some other type of arrangement that would produce cash which he could use for other developments. (Tr. \*435). For reasons of tax impact a sale of the patent applications seemed to be desirable. (Tr. \*437-438).

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<sup>1</sup> In July, 1959, Mr. Wyman terminated his relationship with IDC and subsequently established his own company known as Industrial Automation Corporation. (Tr. \*228). In 1960, Industrial Automation Corporation developed a machine for inspecting empty bottles for foreign particles which it designated as the MS600. (Tr. \*169). The present chief executive officer of SME, Mr. Robert Husome, had been employed as chief engineer of Industrial Automation Corporation prior to the incorporation of SME in October, 1962 (Tr. \*112). While at Industrial Automation Corporation he had been involved with its empty bottle inspection machine and learned the principles of the machine.





Commencing in 1959 IDC opened negotiations with the companies in the packaging machinery industry that might be interested in acquiring the bottle inspection machine patent applications - Crown Cork & Seal, Barry Wehmiller, RCA and Meyer. (Tr. \*438, \*440, \*588). It became clear from these negotiations that no company would pay a large lump sum in cash for the applications because the future success of the machine was entirely too speculative. (Tr. \*438). It was also clear to Calhoun that to maximize IDC's return it should contract to sell the applications under a contract requiring the buyer to make payments based upon the sale of machines. IDC also learned that no company would buy the patent applications and undertake manufacture of the bottle inspection machines unless it could be assured that (1) it would receive IDC's Mark IV Inspector know-how with the applications; and (2) that during the pendency of the applications and before the patents issued IDC would not immediately re-enter the field and manufacture the same machines in competition with the buyer. (Tr. \*439, \*590). In spite of the fact that IDC was negotiating for the sale of the bottle inspection machine patent applications, its bargaining position was strong; it did not have to sell and it was in a position to get many of the clauses in the agreement that it wished from the buyer. (Tr. \*355, \*588). In the spring of 1959, Mr. Leo Meyer and his son, George, who later succeeded him as president of the Meyer Company, visited the IDC plant in California and commenced serious negotiations with Mr. Calhoun looking to the licensing





or acquisition of the bottle inspection machine patent applications. (Tr. \*587). These negotiations culminated in an agreement between IDC and Meyer pursuant to which Meyer purchased the patent applications. (Ex. 8).<sup>2</sup>

This agreement (Exhibit 8) which can be described as the agreement of September 21, 1959, had as a part of it another agreement which is entitled "Consultant Agreement" and bears the same date and was executed by Meyer, Calhoun and Abner L. Browning, who was an engineer that was employed by IDC during the year 1959. (Exh. 9).

The negotiations were conducted through the summer of 1959. (R. 1691-1693). The final agreement was the product of the drafting and revisions of drafts by some twenty-five people. (Tr. \*279). It is apparent, upon reading the agreement with the knowledge that the parties understood when the agreement was signed that IDC would become dormant (Tr. \*354, \*540 and Leo Meyer Deposition, p. 95), that the agreement went through a number of drafts and that the final draft was not carefully edited to take into account all of the changes that had been made or contemplated. (Tr. \*455, R. 1694-1695). To illustrate, the agreement makes reference to both "bottle inspection machines" and "bottle inspecting machines," [e.g., Art. IV refers to ". . . bottle inspecting machines forming the subject matter of this agreement . . ."] although Calhoun, who was the principal

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<sup>2</sup> Throughout its brief cross-appellant refers to this agreement as the "Patent Transfer Agreement;" in point of fact the document is entitled "Agreement" and does not bear the characterization that cross-appellant seeks to give it, although it did in fact result in transfer of the patent applications.



executive in IDC, and Wyman, a co-inventor, made no distinction between inspecting and inspection machines. (Tr. \*220, \*253).

The early drafts of the agreement did not contain a definition of "bottle inspection machines", (R. 1692, et seq.) but Calhoun requested that such a definition be inserted in the agreement for the protection of IDC as well as Calhoun and Browning. (Tr. \*298-299, R. 1694). This definition which is found in the first "Whereas" clause on the first page of the agreement (Exh. 8; Tr. \*299-300, \*309-312) defines "bottle inspection machine" (there are quotations around these words in the agreement) as a machine used to detect foreign matter in bottles that have not been properly washed "for which invention two applications for Letters Patent have been filed in the United States Patent Office on . . . and which bear the Serial Numbers 741,634 and 808,172, . . ." In his testimony, Calhoun explained that he requested the clause which tied the definition to the patent application numbers. (Tr. \*311-312). He felt that by so doing the limitations upon himself and his company would be reduced to a bare minimum. (Tr. \*312). That this was intended to be a definition of bottle inspection machines is also clear from Article IV and Paragraph 4 of the Consultant Agreement (Exh. 9) which refers to ". . . bottle inspection machines as defined in the agreement between Meyer and Industrial".

The bulk of cross-appellant's arguments are directed to Article XIV of the basic agreement of September 21, 1959, which provides "INDUSTRIAL agrees that it will not enter into competition with MEYER in the manufacture or sale of bottle



inspecting machines during the life of this agreement." In his testimony Calhoun explained that no company was interested in buying the patent applications unless they had some assurance that IDC (also referred to as "INDUSTRIAL") would not immediately re-enter the field and manufacture the same machines in competition with the buyer. (Tr. \*439). He felt that it was reasonable to give the buyer a covenant against competition in the sale of the same machines covered by the agreement during the period before the patents issued. Calhoun explained that in 1959 IDC was a small alley workshop that had a piece of equipment and four or five employees. It was asking for \$75,000.00 cash for its invention. At that time the ultimate success of the invention was highly speculative. Calhoun felt that in return for \$75,000.00 cash, plus a contingent payment on each machine that would be sold that it was reasonable for the buyer to receive some protection against competition in the very same machines by IDC prior to the issuance of the patents. (Tr. \*439-440; Tr. \*451-452). Calhoun's testimony on this subject is very instructive (Tr. \*451):

"THE WITNESS: Well, as I understood the conditions of paragraph XIV, it was a measure of protection for the Meyer Company between the time that we sold them these applications for \$75,000.00, protecting their \$75,000.00 until another means of protection could be obtained, that is the issuance of the patents, which could be a period of many years, I thought. I have heard of patents taking as long as five to six to eight years to issue....."





Meyer wanted to be assured that in addition to receiving the patent applications it would also obtain IDC's know-how respecting the inventions. This provision, plus the Consultant Agreement, gave Meyer some such assurance. (Tr. \*590).

The Consultant Agreement was actually suggested by Calhoun (Tr. \*356) because, as he explained, he decided that upon the sale of the patent applications IDC would become a dormant corporation and that he would organize a new corporation having different stock ownership. (Tr. \*352-353). He so advised Leo Meyer (Tr. \*456) and suggested that in view of the fact that IDC would no longer be an operating company, some consultant agreement that would assure Meyer of receiving the IDC bottle inspection machine know-how was appropriate. (Tr. \*352-354, \*343, \*356, \*456, \*540, \*590 and Leo Meyer Deposition, p. 95). Further, Calhoun explained the Consultant Agreement would give Meyer at least for a limited period of time certain rights to improvements made on the basic patents by the IDC engineers. (Tr. \*354-355).

Article VIII of the basic Agreement contains two clauses which are also discussed in cross-appellant's brief. Under Article VIII A. IDC agreed to make improvements in "bottle machines forming the subject of this agreement, . . ." available to Meyer at no additional royalty. Calhoun explained that this clause was intended to cover improvements on the inventions disclosed in the patent applications - something that fell within the scope of the basic invention covered by the applications. (Tr. \*453). He explained that he felt that it was to his advantage to sell the improvements in advance to the Meyer Company





because he desired to have the Meyer Company have the improvements so that it could sell more machines and maximize his royalties. (Tr. \*263 and \*453). He observed that he could not use or license an improvement patent without having rights under the basic patent in any event. (Tr. \*453-454).

Under Article VIII C. IDC gave Meyer rights of first refusal on inventions "relating to electronic applications for the packaging industry." The paragraph gave Meyer no absolute rights. Calhoun explained (Tr. \*454) that IDC was not compelled to license or sell to Meyer but simply to make an offer to Meyer if it decided to offer the invention to others. Calhoun placed very little importance on the paragraph and stated that after it was decided that IDC would become dormant the paragraph should have been removed from the basic Agreement entirely. (Tr. \*455).

After the agreements were signed on September 21, 1959, IDC became dormant and changed its name to Electro Dynamics Company (Tr. \*354), but Calhoun and Browning, working as the owners and officers of the new company, Industrial Dynamics, Ltd., continued to invent in the field of bottle inspection (Tr. \*464-466) and acting on their own as well as under research and development contracts with Meyer, made substantial improvements in the Mark IV Bottle Inspection Machine (Tr. \*457-459, \*462, \*469-470) as well as developed a "second generation" bottle inspection machine which improved upon the Mark IV and which has been designated as the Mark V. (Tr. \*380-383).

The relations between Meyer and Calhoun and his companies since September, 1959 have been cordial but at arm's length. (Tr. \*596). Meyer has marketed some of Calhoun's



products under short term marketing agreements (Tr. \*343-345) but in no respect has had an exclusive on Calhoun's products. Calhoun has decided to do some of his own marketing partly because of dissatisfaction with Meyer. (Tr. \*345).

In June of 1966, after this litigation was commenced but before the trial of the misuse issues, IDC (which was then known as Electro Dynamics Corporation) entered into an agreement with Meyer rescinding Article XIV of the original agreement of September 21, 1959. (Exh. B). Calhoun explained that the purpose of this agreement was to foreclose any misinterpretation of the contract. Because the original contract had been interpreted by the cross-appellant in a manner quite different from the intention of the parties that executed it, Meyer and IDC thought it advisable to rescind Article XIV in order to eliminate the possibility of future misunderstanding. (Tr. \*447).

Meyer has licensed the Mitsubishi Company of Japan to manufacture the Mark IV Bottle Inspector but it is clear from the agreements and the testimony that Meyer has not licensed its U. S. patents-in-suit to Mitsubishi and that the Mitsubishi agreement does not relate to the U. S. patents-in-suit. The U. S. patent application numbers are referred to in the Mitsubishi agreement for descriptive purposes only. (Tr. \*602, \*616).

The "facts" stated on pages 16-19 of cross-appellant's brief which cross-appellee contests are those set forth in the first full paragraph on page 17. Cross-appellant's language is not taken verbatim from the Findings of Fact and Conclusions of Law cited in support thereof, but consists of paraphrase for its



own benefit. These particular findings of fact and conclusions of law, however, are attacked as clearly erroneous in cross-appellee's opening brief on its appeal from the District Court's judgment, to which reference is hereby made for a statement of cross-appellee's position as to such alleged facts.

With respect to cross-appellant's statement of facts concerning Meyer's alleged knowledge of the Stoate '229 patent, cross-appellant omits from its quotation from Finding of Fact No. 15(a), the following:

"However, the defendant's attorneys were not convinced at that time that such references actually disclosed a centered optical system, and the defendant did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office."

This subject, moreover, is dealt with more fully and answered infra, page(s) 42-49.

Cross-appellant misstates the situation in asserting that "Meyer filed the continuation application embodying broader claims than those recited in the patent application". Cross-appellee's position on this point is developed in this brief, infra, at page(s) 51-60 -- , wherein it is shown that the claims added during prosecution of the continuation application do not define a new and different invention from that originally disclosed and broadly covered in Claim 15 of the original application. In any event, under the authorities also there discussed, the important consideration is the invention disclosed in the original application; since the specification and drawings were the same in both applications, there was no objectionable late





claiming under the authorities relied upon by cross-appellee and discussed infra, page(s) 53-57.

### STATEMENT OF THE ISSUES

Cross-appellant's statement of the questions involved and its largely redundant statement of errors upon which it relies are, we believe, unnecessarily long and complex. We believe that the issues can be reduced to several simple questions:

1. Is the subject of the Agreement of September 21, 1959, and are the machines referred to in Article XIV of that Agreement and Paragraph 4 of the Consultant Agreement those machines covered by the two patent applications sold by IDC to Meyer and only those machines? The trial court answered these questions in the affirmative.

2. Is Meyer guilty of patent misuse because, when it purchased patent applications from IDC, it received IDC's covenant not to compete with Meyer in the manufacture or sale of the very machines described in the patent application? The trial court answered this question in the negative.

3. Is Meyer guilty of patent misuse by virtue of having received from IDC covenants to assign improvements to Meyer without further royalties and a first refusal for the licensing or purchase of inventions not covered by the patent application? The trial court answered this question in the negative.

4. If Article XIV of the Agreement constitutes patent





misuse, was that misuse purged when the parties rescinded the covenant by their Agreement of June, 1966? The trial court answered this question in the affirmative.

5. Can Meyer be guilty of misusing the U. S. patent-in-suit because of the manner in which it licensed a Japanese firm to manufacture the invention only in Japan and granted no rights to the Japanese firm to make, use or sell the invention in the United States? The trial court answered this question in the negative.

6. In prosecuting its patent applications and asserting its rights in proceedings in the Patent Office, has Meyer engaged in fraud upon the Patent Office or has Meyer in this litigation been guilty of such unconscionable conduct that would warrant the imposition of attorneys' fees against Meyer in both the misuse and validity and infringement trials? The trial court answered this question in the negative.



## ARGUMENT

### I. THE RECORD SUPPORTS THE TRIAL COURT'S DETERMINATION AS TO THE SCOPE OF THE AGREEMENT OF SEPTEMBER 21, 1959.

#### A. Cross-appellant (SME) Has Failed In Its Fundamental Burden to Show That The Findings Of The Trial Court Have No Support In The Record or Are Clearly Erroneous, And That The Conclusions Of the Trial Court Are Improper.

In spite of the prolixity and redundancy of cross-appellant's brief, cross-appellant has failed to carry its ultimate burden of showing that the findings of fact and conclusions of law of the trial court are not supported by the record and are clearly erroneous. Indeed, the most distinctive characteristic of cross-appellant's argument is its failure to discuss the trial court's findings of fact in any detail and its failure to point to findings which are not supported by evidence in the record or which are arguably clearly erroneous because of the overwhelming evidence introduced by cross-appellant.



"Findings of fact shall not be set aside unless clearly erroneous. . . ." Rule 52(a), Federal Rules of Civil Procedure. This Court has stated on innumerable occasions that "the burden is upon him who attacks a findings [of the District Court], to show that it is clearly wrong." L. A. Shipbuilding & Drydock vs. United States, 289 F.2d 222 (C.A. 9, 1961). Recently in Kamen & Co. v. Aschkar & Co., 382 F.2d 689, 694 (C.A. 9, 1967) this Court said:

"The trial court found the existence of ostensible authority and based liability thereon. The validity of this finding presents the principal issue involved in the instant appeal. Unless the finding is 'clearly erroneous' we are bound by it.\* ' . . . A finding is 'clearly erroneous' when, although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.' U. S. v. U. S. Gypsum Co., 333 U.S. 364, 395, 68 S.Ct. 525, 542, 92 L.Ed. 746 (1948)."

In the case at bar there is ample evidence to support the trial court's findings of fact and ample legal authority to support his conclusions of law. Cross-appellant does not point to an absence of evidence to support the findings. Indeed, cross-appellant utterly ignores much of the evidence in the record. At one point in its argument, cross-appellant relies upon testimony extracted from the deposition of Leo Meyer which is not even a part of the evidence (see cross-appellant's brief at pages 35-37). This reference is significant because when





cross-appellant offered this portion of the Leo Meyer deposition in evidence there was a colloquy between counsel and the Court at which time cross-appellee's counsel advised the Court that because cross-appellant was offering this testimony out of context it would be necessary for cross-appellee's counsel to offer the entire deposition, which cross-appellee's counsel was reluctant to do. (Tr. \*541-542). In response, cross-appellant's counsel withdrew his offer. (Tr. \*542). The deposition testimony of Leo Meyer quoted in cross-appellant's brief at pages 35 through 37 and the deposition testimony of both Leo Meyer and Milton Shapiro, which appellant has abstracted and printed as appendices D and E to its brief are not part of the evidence in this case.

Further, cross-appellant's argument on page 37 of its brief which attempts to characterize Leo Meyer's testimony and suggests that he changed his answers after a recess is wholly without support of the record and, in fact, is false. If the Court of Appeals does decide to consider the deposition testimony of Leo Meyer in spite of the fact that it was not introduced in evidence, Mr. Meyer's testimony must be considered in its full context and it should be noted that the answers that cross-appellant quotes relate to Mr. Meyer's mental impressions in June of 1959 and not to the final form of the Agreement after the definition of bottle inspection machines had been added and refined at Calhoun's insistence, thereby clearly limiting the scope and coverage of Article XIV.





B. A Complete and Objective Reading of the Meyer-IDC Agreements of September 21, 1959, Sustains the Trial Court's Findings of Fact 12 Through 15, and Conclusions of Law 4 Through 7.

Cross-appellant contends in its brief, as it did at the trial (Tr. \*328), that the Agreement of September 21, 1959, is understandable and may be interpreted "from its four corners without regard to extraneous evidence." (Cross-appellant's Brief, p. 29) This is, of course, what the trial court did. Finding of Fact 12 and 13, R. 1823, and Conclusion of Law 4, R. 1832.

This is the third time that cross-appellant has argued without success that the plain meaning of Article XIV of the Agreement and Paragraph 4 of the Consultant Agreement is that IDC, Calhoun and Browning are restrained from manufacturing and selling any machine that inspects bottles for twenty-two years. The argument was first presented to Judge Hill by cross-appellant's motion for summary judgment, which was denied (R. 634,834 ). The argument was then presented to Judge Gray at trial and in the middle of the trial Judge Gray dismissed the argument and ruled from the bench that Article XIV encompassed only the bottle inspection machine defined in the "Whereas" clause, viz., the machine described in the two patent applications which are the subject of the September, 1959 Agreements. (Tr. \*330, et seq.) If the meaning ascribed to Article XIV is as plain as cross-appellant contends, cross-appellant has had a singular lack of success in



conveying that meaning to anyone else.

A close examination of the Agreements between IDC and Meyer, and between Meyer, Calhoun and Browning, which agreements are dated September 21, 1959 (Exhibits 8 and 9) discloses that they are directed to spelling out the rights and obligations that arise from the transfer of the invention described in two patent applications. In the first "Whereas" clause of the general agreement, bottle inspection machine is defined. That this clause is intended to be a definition is clear from the fact that quotations are put around the words "bottle inspection machine" and the words "... hereinafter called a " precede the words "bottle inspection machine." That this is intended to be a definition which carries through the Agreements appears from Paragraph 4 of the Consultant Agreement which refers to "bottle inspection machines as defined in the agreement between Meyer and Industrial." [Emphasis added]. Likewise, in Article IV. A. of the general Agreement Meyer grants Industrial the right to continue the manufacture, sale and servicing of "bottle inspecting machines forming the subject matter of this Agreement. . . ." [Emphasis added]. This provision also makes it clear that the parties intended that "bottle inspecting machines" was to have the same meaning as "bottle inspection machines" as defined in the "Whereas" clause. These words, "Inspection" and "Inspecting" are used interchangeably throughout the Agreement. While this might be said to be untidy draftsmanship it certainly does not change the basic meaning and effect of the various provisions of the Agreements.

The broad meaning of "bottle inspection machines" contended for by cross-appellant is not consistent with the use of



the phrase "electronic applications for the packaging industry" in Article VIII. C. to describe electronic devices other than "bottle inspection machine[s] . . . for which invention two applications for Letters Patent have been filed . . . ," which may also, incidentally, inspect bottles for various purposes.

In his decision from the bench (Tr. \*330) Judge Gray discussed all of these matters and stated that "the whole agreement is directed to talking about the bottle inspection or inspecting machines that are wrapped up in these two serial numbers." (Tr. \*330). There is, we submit, ample evidence to support Judge Gray's findings and conclusions respecting the meaning and construction to be given to the contracts.

Beyond that, however, it is clear from the record why the draftsmanship was not more artful and the Agreements were not carefully edited before they were signed. As Calhoun said, they were prepared by a committee. (Tr. \*279). The modification of the "Whereas" clause at Calhoun's insistence was one of the last revisions made before the general Agreement was executed. See: Pre-trial Order No. 2, Par. 23, R. 1694, et seq. It was not thereafter carefully edited.

Cross-appellant argues that the definition contained in the "Whereas" clause is not intended to define or limit the scope of Article XIV. If cross-appellant's contention is correct, Article XIV has a meaning quite different from the covenant not to compete given by Calhoun and Browning in the Consultant Agreement, Paragraph 4. This covenant not to compete is clearly limited to inspection machines "as defined in the agreement between Meyer and Industrial." This inconsistency would make no







sense. Furthermore, the logical conclusion to be drawn from cross-appellant's argument is that Article XIV would prohibit Calhoun from manufacturing or selling any machine that inspects bottles. This would, of course, encompass machines that inspect bottles for their size, the presence or absence of chips in their crowns, the presence or absence of labels or crowns, as well as inspection for the presence of foreign particles. There is no evidence within the four corners of the Agreements or in the record that such a broad construction was intended by anyone.

Cross-appellant argues that Judge Gray's interpretation "is strained and erroneous" and that "it falls short of reality". (Cross-appellant's Brief at page 31). To support this argument cross-appellant then picks Article XIV apart, suggesting first that great importance should be placed upon the distinction between the words "inspection" and "inspecting" even though from the face of the Agreement it is quite clear that the committee that drafted it made no distinction between these words. Cross-appellant then suggests that its arbitrary definition of bottle inspection machine is much more workable than the definition tied to the patent applications. It is hard to imagine a better way of defining an invention which is the subject of a sale than to tie it to the description of the invention contained in patent applications. We submit cross-appellant's argument at page 32 of its brief is itself "strained".

Cross-appellant then places great reliance upon the words "will not enter into competition with Meyer" pointing out that Article V. B. of the Agreement provides that "after commencing the manufacture of the bottle inspecting machine Meyer



will have the sole right to make such machines and also the sole right to sell such machines. . . ." The purpose and meaning of these clauses and their inter-relationship is quite clear on the face of the Agreement. Article V. A. contemplated that Meyer might not assume the responsibility of manufacturing the bottle inspecting machines in the first six months following the signing of the Agreement. During this period IDC could have manufactured and sold bottle inspecting machines without being in "competition with Meyer" and therefore without breaching Article XIV. When, however, Meyer undertook the manufacture of the bottle inspecting machines as provided in Article V. B. it had the sole right to make such machines, at which point Article XIV became operative and precluded Industrial's competition with Meyer in such manufacture and sale.

Cross-appellant places great stress on the fact that Article XIV is to endure "during the life of this agreement" and insists that this must mean twenty-two years. Cross-appellant's argument ignores the fact that the Agreement might be terminated by Meyer any time after two years pursuant to Article X, or might automatically terminate, pursuant to Article XIII, if patents did not issue. It made more sense to tie the pendency of Article XIV to the life of the Agreement than to the period prior to the issuance of patents. When patents did issue, Article XIV became surplusage because Meyer, as patentee, could prevent Industrial from making and selling the bottle inspection machines and did not have to rely on Article XIV.



Perhaps the Agreement could have been edited more carefully or drafted more artistically, but contrary to cross-appellant's brief, the trial court had no difficulty with its plain meaning. (Appellant's Brief at page 35). Finally, cross-appellant relies upon the deposition testimony of Geo. L. N. Meyer, Sr. (referred to as Leo Meyer throughout the briefs) at pages 35-37 of its brief. We have already pointed out that this testimony is not part of the evidence in this case and is taken out of context. Mr. Meyer's answer at the top of page 36 of cross-appellant's brief supports our argument. Nonetheless, these questions and answers refer to Mr. Meyer's mental impressions in June of 1959 at the time when he first considered the wisdom of some type of non-competitive clause and, as the balance of his deposition discloses, do not reflect his interpretation of the non-competitive clause that finally evolved and is contained in the Agreements.

We agree with cross-appellant and with Judge Gray that the meaning of Article XIV and the other provisions of the Agreements of September 21, 1959, is plain and does not require testimony to explain ambiguities. We disagree with cross-appellant, however, respecting that meaning and submit that Judge Gray's decision from the bench (Tr. \*330, et seq.) and findings of fact and conclusions of law in this respect are amply supported in the record.





C. The Testimony of the Negotiator for IDC,  
Calhoun, Respecting The Meaning and Purpose  
of the September 21, 1959 Agreements Supports  
and Corroborates the Trial Court's Findings  
and Conclusions.

We have reviewed (at pages 2-8 of this brief) the sequence of negotiations and modifications that were made in the drafts of these Agreements prior to their execution. In these negotiations IDC was represented by Calhoun. Calhoun was the person who insisted that the "Whereas" clause specifically define the subject matter of the Agreement and the subject matter of Article XIV, as well as Paragraph 4 of the Consultant Agreement. He, after all, was the person who, on behalf of himself and IDC, gave the covenants in question. His testimony respecting their meaning and scope should control if any testimony is required to construe the contracts. His testimony at Tr. \*451-452 which is quoted in our statement of facts at pages 6-8 above, clearly and unequivocally supports the trial court's findings and conclusions. There is no contrary testimony by any party to the negotiations in the evidence that was introduced at the misuse trial.



II. THE TRIAL COURT'S FINDINGS OF NO PATENT MISUSE ARE CORRECT.

A. The Essential Elements of A Patent Misuse Claim are Absent in this Case.

In every leading patent misuse case the courts have stressed the element of using the patent in a fashion which contravenes public policy. See, e.g., Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 490-494 (1942), where Justice Stone noted "that respondent is making use of its patent monopoly to restrain competition . . ." Id. at 491. "It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest." Id. at 492. [Emphasis added]. Later on in the opinion, Justice Stone states that the patentee may not claim protection by the courts "where it is being used to subvert that policy." Id. at 494. [Emphasis added]. See also: Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 329 U.S. 637, 640, 644 (1947); Mercoide Corporation v. Mid-Continent Investment Co., 320 U.S. 661, 666 (1944); Carbice Corp. v. American Patents Dev. Corp., 283 U.S. 27 (1931); National Lockwasher Co. v. George K. Garrett Co., Inc., 137 F.2d 255, 256 (3rd Cir. 1943); and Touchett v. E Z Paints Corp., 150 F.Supp. 384 388-389 (E.D. Wis. 1957).

Here, the patent-in-suit was not even in existence at the time of the Meyer-IDC Agreement and the Consultant Agreement. In any event, Meyer was not at that time the owner of the patent



application which preceded the patent and, accordingly, could not have used the patent or patent application to subvert any public policy. Meyer was one of three companies attempting to buy the patent application and had no power or leverage over the vendor. Meyer has not licensed the patent-in-suit and, accordingly, cannot be charged with misusing the patent by improper licensing. There is no claim or evidence that Meyer has misused the patent in any sales distribution agreements. All other considerations aside, the absence of this essential element of a patent misuse charge destroys plaintiff's patent misuse defense.

B. There is No Legal Precedent for Holding That Article XIV of the September 21, 1959 Agreement or Paragraph 4 of the Consultant Agreement Constitutes Patent Misuse.

At pages 38-50 of its brief, cross-appellant argues, on several grounds, that the covenants not to compete given to Meyer by IDC and by Calhoun and Browning constitute patent misuse. The first ground is that the trial court was erroneous in its determination that said covenants were ancillary to Meyer's purchase of IDC's principal asset and that the covenants were reasonable in scope. However, cross-appellant fails to cite any authority for its contention.

Covenants not to compete given in connection with the sale of an asset, if reasonably designed to protect the value of the asset purchased, are generally recognized by courts in this country to be reasonable and legal restraints upon trade. See,





e.g., United States v. Addyston Pipe & Steel Co., 85 Fed. 271, 281, aff'd. 175 U.S. 211 (1899); Orbo Theatre Corp. v. Loew's, 156 F.Supp. 770, 777 (D. C. 1957); Fullerton Lumber Company v. Torborg, 270 Wis. 133, 70 N.W. 585 (1955); 45 A.L.R.2d 77; 46 A.L.R.2d 119; Business and Professional Code, §16601-16602 (Cal. Stats., 1941, Chap. 526, §1, page 1834).

In A. B. Dick Co. v. Fuller, 213 Fed. 98 (S.D.N.Y. 1914), the court states:

"... As I read the case it is not always illegal for one for a consideration to exclude himself for a time from making, using, or selling material or processes of a class of character of a particular kind. For example, where the purchaser of a thing to protect himself from the destruction of the thing bought agrees with the seller that he shall not use any new invention of his for producing a product which will in effect destroy the value of the property purchased, there is no restraint which will invalidate the contract. [Cites] Nor is it illegal restraint where the restraint imposed is not larger than is requisite for the necessary protection of the party with whom the contract is made. Oregon Steam Navigation Co. v. Winsor, 20 Wall, 64, 22 L.Ed. 315" (213 Fed. 98 at 101).

As pointed out above, the instant covenants not to compete are reasonable because, first, they are limited to the very product being sold. Second, they are limited as a practical matter to the period prior to issuance of the patent, which would be at most a period of two to five years. It is clear that the covenant was not intended to last longer because the patent



itself, once it was issued, would thereafter preclude the vendor from manufacturing the device and the covenant would be of no further use. Nordhaus & Jurow, Patent Antitrust Law, §112(1961). Finally, the territorial limitation is reasonable. Since the market for this product is nation-wide or world-wide, there was no need for an explicit territorial limitation in the covenants.

If the Court should be concerned about the reasonableness of any of the above limitations, there still would be no patent misuse because it is clear that, under both federal law and the laws of California and Wisconsin, the covenant would be enforced only to the extent necessary to protect the value of the business or asset sold. See, e.g., Oregon Steam Navigation Co. v. Winsor, 87 U.S. 64 (1873); Hill v. Central West Public Service Co., 37 F.2d 451 (5th Cir. 1930); Mahlstedt v. Fugit, 79 Cal.App. 2d 562, 180 P.2d 777 (2d Div. 1947); Edwards v. Mullin, 220 Cal. 379, 30 P.2d 997 (1934); and Fullerton Lumber Co. v. Torborg, 270 Wis. 133, 145-147, 70 N.W. 2d 585 (1955). The only case cited by cross-appellant, Summerhays v. Scheu, 52 P.2d 512 (Cal.App. 1935), is not in point. In that case there was only an oral agreement not to compete by the seller which was held to be barred by the statute of frauds. In addition, the restriction, which was not restricted in time or area, was held to be unreasonable in scope. Cross-appellant does not attack the reasonableness of the restriction in the present case but rather argues the question of reasonableness should not even be considered.

Cross-appellant's second ground (pages 43-50 of its brief) apparently is that use of any covenant not to compete constitutes patent misuse. However, the cases cited by cross-



appellant fail to support such a proposition. First, they involved patents rather than patent applications; second, they involved licensing agreements or distributorship contracts rather than an outright sale of a patent; third, they primarily involved restrictions imposed by the licensor of the patent as a condition of using his patent rather than by the license; and finally, the restrictions involved products other than those covered by the patent rather than the very product covered by the patent applications.

In only two cases have restraints upon the licensor even been considered. In McCullough v. Kammerer Corp., 166 F.2d 759 (9th Cir. 1948) the court condemned covenants which precluded both the licensee and the licensor from using equipment which competed with the patented equipment. But in that case the licensor used its monopoly power to impose the restriction on the licensee and then placed a similar restriction on itself as part of its plan to extend its lawful monopoly. It seems clear that the restriction upon the licensee was the principal cause of the finding of patent misuse. The court notes at page 760:

" . . . The licensor to procure such extension of the monopoly area of its patent also binds itself to extend the area of the monopoly by a similar restrictive agreement."

The court gave no hint that, if the licensor's covenant had stood alone, there would have been finding of patent misuse.

Touchett v. E Z PAINTER CORP., 150 F.Supp. 384 (E.D. Wis. 1957), although it technically involved a covenant not to compete by a licensor of a patent, is unique in that the patent







was transferred from the corporation which owned it to an individual. The individual, in the same transaction, licensed the patent back to the corporation and covenanted not to compete with the patented products. On its face the case is clearly distinguishable from the case at bar because the corporation, though technically called the "licensee" was, in fact, the real owner of the patent. The agreement was simply an involved attempt to justify the restrictions by making it appear that the individual was the licensor. Therefore, the holding of the court does not support the plaintiff's argument that a covenant not to compete by a licensor constitutes patent misuse. After a complete consideration of the patent misuse doctrine, the court concluded that it was the

"[corporation] rather than the [individual] who actively used the patents to stifle competition and that [the individual] was at most a passive party to that misuse of patents . . . therefore . . . the court believes that as an equitable proposition, the doctrine should not be applied in favor of the [corporation] and against the [individual] in these cases."

It is interesting to note that the opinion makes particular emphasis of the fact that patent misuse "is based upon the use of the patent for the purpose of unlawfully extending the monopoly." 150 F.Supp. at 388.

In short, cross-appellant's authorities are not in point because they involved the use of patents in a fashion designed to contravene public policy. See: Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 490-494 (1942). In the case



at bar, Meyer did not own the patent applications. It purchased them from the inventors who, without some contractual restriction would have been free to manufacture the machine covered by the applications until the patents were issued--a period of perhaps as long as five years! It makes no sense to say, as cross-appellant must, that Meyer, who was bargaining to purchase the applications, used its power under those applications to limit IDC's future competitive activities. Meyer just simply could not have misused any power granted by the patent laws because any such power was held by IDC, not by Meyer.

Even if the covenants not to compete once constituted patent misuse, they do not at this time constitute a defense to Meyer's counterclaim for infringement.

A patentee may purge himself of patent misuse and thereby remove any bar to an infringement action. Preformed Line Products Co. v. Fanner Mfg. Co., 328 F.2d 265 (6th Cir. 1964); Zajicek v. Koolvent Metal Awning Corp. of America, 283 F.2d 127 (9th Cir. 1960); Waco-Porter Corporation v. Tubular Structures Corp. of America, 222 F.Supp. 332, 335 (S.D. Cal. 1963); Nordhaus & Jurow, Patent-Antitrust Law, §45, p. 121 (1961).

Paragraph 4 of the Consultant Agreement expired by its own terms on September 22, 1964. If it ever constituted patent misuse, there is no evidence that it has any effect any longer or should in any way bar defendant's counterclaim for infringement.

Article XIV of the Meyer-IDC Agreement was ineffective after the patents were issued because the patents then precluded manufacturing the machine covered by the patents. However, to



be sure there was no misunderstanding , (Tr. \*447), on June 23, 1966, Meyer and IDC entered into an agreement which rescinded Article XIV. (Exhibit B). The Agreement of June 23, 1966 recites that after the patents issued, Meyer's rights as a patentee were at least as great as the rights afforded to it by Article XIV; that the Article having no further legal effect, the parties rescind it and declare it null and void. This Agreement of June 23, 1966 simply recognizes what the principals of Meyer and IDC understood were the purposes and legal effect of Article XIV, namely to preclude IDC from manufacturing and selling the machine which it sold to Meyer during the period prior to the issuance of the patents.

Contrary to cross-appellant's allegation at pages 63-64 of its brief, the covenants not to compete did not in any way limit competition with Meyer. Cross-appellant makes no attempt to show that the trial court's findings in this regard were erroneous. It simply asserts that the covenants not to compete somehow magically enabled Meyer to "obtain market dominance". Such an assertion is contrary to all of the evidence in this case. The only possible effect of such covenants would have been on Calhoun and Browning, on IDC or possibly on Wyman and Williams. It will be shown below that there was no significant effect on any of those parties.

Calhoun and Browning have continued to invent new devices, including several for inspection of bottles, none of the patents on which have been sold or licensed to Meyer. (Tr. 464-68; Finding #21). It is hard to imagine any lesser impact on competition.







Similarly, the covenants had no effect on competition with IDC because IDC would not have remained a viable competitor in any event. Its shareholders intended, prior to execution of the agreement, that it would become dormant after selling its only substantial asset. (Tr. 343, 352-54).

Finally, Wyman and Williams were not restricted from competing with Meyer because they never signed any agreement not to compete. (The fact that only one of the three inventors did sign such an agreement indicates Meyer did not wield much power in the negotiations). The only restrictions on Wyman and Williams were that they could not infringe somebody else's valid patents, which is, of course, no greater restriction than that placed on everyone by our laws.

C. The Trial Court's Conclusion That The Assignment by IDC and Calhoun and Browning of Improvements on the Basic Patents to Meyer Was Not Misuse Is Correct.

Cross-appellant claims that Meyer misused the patent when it purchased, in addition to the basic patent itself, the rights to any improvements the vendor might develop during the period when the patent application was pending and during the life of the patent. Such a claim is based on a total misunderstanding of the doctrine of patent misuse. The doctrine does not preclude and never has precluded the purchase or sale of a patent and any future improvements on that patent.



In support of its contention, plaintiff cites only one case, and that involved a "grant back" clause, i.e., a covenant promising to license to the licensor any improvements to the basic patent which the licensee may develop and patent. Plaintiff then attempts to analogize this "grant back" case to the present fact situation for which it coins the term "grant forward". The "grant back" is not relevant here because "grant back" clauses differ so substantially from "grant forward" clauses. The curious thing is that, even if this case came within the scope of the "grant back" case plaintiff cites, that case does not support plaintiff's argument that "grant back" agreements constitute patent misuse. In Transparent-Wrap Machine Corp. v. Stokes & Smith Co., 329 U.S. 637 (1947), the patent owner had granted an exclusive license to manufacture and sell the product in North America. The licensee in return agreed to give the owner an exclusive, royalty-free license on any improvements the licensee might develop. The court held that such agreements were enforceable unless used to gain control of an entire industry:

"An improvement patent, like the basic patent to which it relates, is a legalized monopoly for a limited period. The law permits both to be bought and sold. One who uses one patent to acquire another is not extending his patent monopoly to articles governed by the general law and as respects which neither monopolies nor restraints of trade sanctioned. He is indeed using one legalized monopoly to acquire another legalized monopoly.



"The difficulty is that Congress has not made illegal the acquisition of improvement patents by the owner of a basic patent. The assignment of patents is indeed sanctioned.

. . .

"It is, of course, true that the monopoly which the licensor obtains when he acquires the improvement patents extends beyond the term of his basic patent. But as we have said, that is not creating by agreement a monopoly which the law otherwise would not sanction. The grant of the improvement patent itself creates the monopoly."

329 U.S. 637 at 644-46.

Plaintiff fails to cite, and in fact is unable to cite, a single case holding that it is patent misuse to "grant forward" i.e., to sell any patent improvements developed by the inventor of the basic product, and fails to discuss two cases which specifically recognized the validity of such clauses. In Independent Electric Co. v. Jeffery Mfg. Co., 76 Fed. 981 (Ohio, 1896), the court construed a contract selling a patent and any improvements thereon. The vendor had developed a new invention to which plaintiff claimed title. The court held that the invention was not an improvement on the basic patent and that the contract had transferred only the right to improvements, not to all inventions of every type ever made by the vendor. The court implied that such a broad contract might be unenforceable but specifically recognized the validity of the more limited contract. Also, in Littlefield v. Perry, 88 U.S. 205, 21 Wall. 226 (1874), the defendant had granted to plaintiff a patent on one invention, an





application for a patent on another and any future patented improvements on either invention. Defendant later patented another invention. The court held that it was an improvement on the basic invention and, therefore, that plaintiff was entitled to it.

The assignment of improvements was in fact in the best interest of IDC and Calhoun. Calhoun testified that any improvement was of no value to him because he could not use it or sell it but that it was of benefit to him to assign it to Meyer so that the product would remain competitive and maximize his royalties. (Tr. 453-54).

D. The Trial Court's Conclusion That the Granting to Meyer of an Option of First Refusal on the Sale or Licensing of Future Electronic Inventions in Packaging Did not Constitute Misuse is Correct.

Cross-appellant fails to cite, and our research has not disclosed, any case holding a first refusal clause to be patent misuse. Such a right does not in any way inhibit research since it means that defendant can purchase the patent only if it is willing to match the highest offer made to the inventor by third parties. In fact such a right assured the inventor that one potential buyer will at least look at anything he develops. Therefore, a first refusal clause may well encourage future research. IDC was not in any way forced to license any future patents; it was free to manufacture and sell any new inventions.



it might develop. (Tr. 467-71). Nor was it forced to offer the license only to Meyer. The clause in no way eliminated IDC as a competitor of Meyer or reduced its power to compete.

E. The Trial Court's Findings Respecting Meyer's Contract with Mitsubishi Has Ample Support in the Record and the Conclusion that the Mitsubishi Contract Could Not Constitute Misuse of the U.S. Patent-in-Suit is Manifestly Correct.

Cross-appellant makes no direct attack on the trial court's findings as to the Mitsubishi agreement but, since there are implications that the trial court erred, we will discuss that agreement briefly. The original agreement with Mitsubishi was executed on October 31, 1958, before Meyer had even acquired the patent in question here. On December 17, 1962, Meyer and Mitsubishi entered into a supplemental agreement covering the bottle inspector which Meyer had, by that time, acquired from IDC. The legal effect of these agreements is that Meyer licensed Mitsubishi under Japanese patents and agreed to impart to Mitsubishi confidential information and technical know-how.

This agreement is irrelevant to a defense of misuse of Meyer's U. S. patents because the misuse must be of the patent rights which the patentee is seeking to enforce in that particular action. Eversharp, Inc. v. Fisher Pen Co., Inc., 204 F. Supp. 649, 674 (N.D. Ill. 1961) and cases cited therein.



Similarly, in Sperry Products, Inc. v. Aluminum Company of America, 171 F.Supp. 901 (N.D. Ohio, 1959), aff'd. 285 F.2d 911 (6th Cir. 1960), the court rejected a claim that certain provisions in a foreign licensing agreement constituted misuse of a U. S. patent:

"All of Sperry's foreign licenses where granted under its foreign patents. Hence there was no use, and consequently no misuse, of the United States patents in suit in connection with Sperry's foreign licensing policy. Defendants recognize that the defense of misuse is available only where there has been a misuse of the patents in suit. However, they attempt to relate Sperry's United States patents to its foreign licensing policy. Defendants advance the argument that Sperry's rights under the patents in suit were expanded by its foreign patents covering the same inventions and that Sperry used its foreign patents to expand its rights under its United States patents 'beyond anything contemplated by law.' The implication of such argument seems to be that the patents in suit as expanded by the foreign patents covering the same inventions were misused by Sperry in connection with its foreign licensing policy. The argument is unsound. Foreign patents create rights separate and distinct from those created by patents issued in the United States. Foreign patents covering the same inventions as United States patents can neither restrict nor enlarge the rights acquired under patents issued by the United States Government. An excellent statement of the applicable principles is found in the Report of the





Attorney General's Committee on Antitrust Laws (1955) where it is said (p. 96):

"We point out, however, that a patent is a grant from the sovereign and therefore has no force beyond that sovereign's territorial limits. Thus, a United States patent creates rights coextensive only with United States laws. Similarly, a British patent, covering the same invention as an American patent, is governed by British law co-extensive with British territory. This means that patent rights in the same invention may differ in scope and effect in the respective territorial limits of the country of issuance.'

"The doctrine of misuse rests upon the principle that the holder of an exclusive privilege granted in the furtherance of public policy may not claim protection of his grant by the courts where it is being used to subvert that policy. Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 494, 62 S.Ct. 402, 86 L.Ed. 363. Sperry seeks no protection of the patents granted by foreign countries and it is not shown that the patents in suit were used to subvert the public policy of the United States as expressed in the Constitution and patent laws." 171 F.Supp. 901 at 940.



III. THERE IS NO BASIS IN THE RECORD OR IN THE  
LEGAL PRECEDENTS FOR DISTURBING THE TRIAL  
COURT'S RULINGS ON LEGAL FEES AND COSTS.

A. The Awarding of Attorneys Fees in Patent  
Cases is Discretionary with the District  
Court and the Exercise of Such Discretion  
is Limited to Exceptional Cases.

Cross-appellant is correct in stating that it is well settled that the awarding of attorneys' fees in patent cases is discretionary with the Trial Court; and further, that the exercise of that discretion may not be overturned by an appellate court "except where there is an abuse of discretion amounting to caprice or an erroneous conception of law on the part of the trial judge.", quoting from Dubil v. Rayford Camp & Co., 184 F.2d 899 (C.A. 9, 1950).

The commission of this discretion to the Trial Court is statutorily expressed in 35 U.S.C. §285, as follows:

"The court in exceptional cases may award reasonable attorneys' fees to the prevailing party."

This Court, on several occasions, has construed the term "exceptional" as it thus appears in the statute. Thus, in Kemart Corp. v. Printing Arts Research Laboratories, 269 F.2d 375 (C.A. 9, 1959), it was stated at page 394:



"Judge Hastie, writing for this court in Park-in-Theatres v. Perkins, supra, indicates that it is incumbent upon the trial court to apply a 'strict standard in finding cause adequate to justify an allowance of attorney's fees.'" He states 190 F.2d at page 142:

"'The exercise of discretion in favor of such an allowance should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular lawsuit be left to bear the burden of his own counsel fees which prevailing litigants normally bear.'

"In its opinion, the trial court held that the appellee acted in a reasonable manner before, during and after the trial of the infringement issue. [See 146 F.Supp. 21, 24.] We find no reason to disagree with the conclusion of the trial judge and the finding in accord with it. \*\*\*\* Nor do we feel that the representations concerning the state of the prior art which were made by appellee at the trial of the infringement issue, were such as to give rise to the 'unfairness or bad faith in the conduct of the losing party' or the 'other equitable consideration of similar force' necessary to bring the present case within the 'exceptional cases' included in the statute. We conclude that the trial court exercised his discretion properly."





More recently, in Florida Brace Corp. et al v. Bartels et al, 332 F.2d 337, (C.A. 9, 1964), this Court reversed an award by the District Court of attorneys' fees against an unsuccessful patentee plaintiff in an opinion by Judge Barnes in which it was stated at pp. 338-339 and 340:

"The original language of the predecessor statute (35 U.S.C. § 70) reads:

"' The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case.'

"On July 19, 1952, this language was changed to the following:

"'The court in exceptional cases may award reasonable attorney fees to the prevailing party.' (Emphasis added).

"The 'Revised Note' states:

"'[I]n exceptional cases' has been added as expressing the intention of the present statute as shown by its legislative history and as interpreted by the courts.'

"This change in language certainly did not enlarge the judicial discretion of the trial judge; neither did it take any portion away. The emphasis on the exception case seems to refer to a general requirement disclosed by the adjudicated cases that some wilfulness must exist on the part of the losing party before attorney's fees are to be awarded. \*\*\*(citations)"



"A reading of the Findings XVI and XXI referred to above upon which the finding of bad faith and the subsequent award of attorneys' fees rests, indicates the appellants and their counsel were doing only what almost everyone to whom a patent has been issued by the United States Patent Office has been doing for years. This they have done, aided and abetted and encouraged by, and under the advice of, the patent bar. What plaintiffs here did was to test the validity of their presumptively valid patent (a) by litigation which charges infringement in a certain accused device; (b) which attempted to bolster plaintiffs' position patentwise by charging 'unfair competition'; (c) by refusing to license the manufacturer of the accused device; (d) by taking depositions in support of a phase of a case which was later abandoned, after the completion of plaintiffs' case; (e) even though they were perhaps beset with 'doubts' or 'suspicions' as to the validity of their own patent; (f) nevertheless suing a corporate defendant and an individual who might not have had exactly the same financial standing as the plaintiff ; (g) and in so doing, 'multiplying the expense.'

"No one or all of these acts on the part of appellants or their counsel in our opinion justify the finding of bad faith and wilful infringement in the filing and prosecution of the suit on the record before us. Appellants thought that they had a good patent. They were proved wrong, but such proof does not establish a lack of good faith."



B. The District Judge Did Not Abuse His Discretion or Misconceive the Law in Deciding that This was not an Extraordinary Case Calling for the Award of Attorneys' Fees to Appellant.

The only "exceptional" aspect of the present case is the fantastically imaginative series of contentions advanced by cross-appellant in pages 73-97 of its brief as to why the conduct of cross-appellee Meyer has been so heinous that this Court should be moved to the degree required to reverse the District Judge's declination in his discretion to award attorneys' fees. Of necessity, however, cross-appellee must answer each of cross-appellant's specious charges of inequitable conduct on the part of cross-appellee. In the following pages of this brief cross-appellee proposes to demonstrate that its conduct, considered item by item, or collectively, has not been such as to require this Court to reverse the District Court's disallowance of attorneys' fees.

1. Alleged Failure to Bring to the Attention of the Patent Office the Best Known Prior Art.

British Stocate '229 patent (Exh. 44). This was a catch-all patent for which Mr. Stocate applied in 1938 (Tr. 1944-1945, 2075). It may be argued that reading one obscure figure (Fig. 7) of this patent in conjunction with the teaching of another earlier Stocate patent, No. 469,458, a centered optical





system is taught (See: Stoate testimony, Tr. 2035-2043). The District Court so found (Finding No. 15(a), R. 1944), but it also found that that Stoate patent did not disclose or contemplate the concept of spatial filtering, etc. (Finding No. 11(d), R. 1942-3). In any event, the Stoate patent in question came to the attention of Meyer's Milwaukee patent attorneys who were in charge of prosecuting the British patent application, while the U. S. applications, which resulted in the patent-in-suit, were being prosecuted by IDC's attorneys who continued after the purchase by Meyer of the IDC developments by the September 21, 1959 Agreement (Exhibit 8, P.T.O.-R. 1690), to prosecute the applications for Meyer (P.T.O., R. 1699). From all the evidence, including file wrappers, arguments concerning what Stoate '229 actually taught as explained by Calhoun and Stoate in their testimony, the District Court could properly have found, as it did:

"However, the defendant's attorneys were not convinced at that time that such references actually disclosed a centered optical system, and the defendant did not practice any fraud by any failure on its part to call the Stoate '229 patent to the attention of the Patent Office."  
(Finding No. 15(a), R. 1945).

Cross-appellant attacks this finding of fact on pages 75-77 of its brief; cross-appellant contends that there was no evidence before the Trial Court even tending to prove that Meyer's attorneys were not convinced of the true disclosure of the '229 patent. Cross-appellant complains that the Trial Court "placed unwarranted weight on the representation of one of Meyer's



attorneys made in (court) and not as a witness' testimony, to that effect." In advancing its arguments on this score, cross-appellant appears to be overlooking the fact that it, and not cross-appellee, had the burden of establishing the defense of misuse or fraud on the Patent Office.

See: Armour & Co. v. Wilson & Co.,

274 F.2d 143, 148 (C.A. 7, 1960);

National Dairy Prods. Corp. v. The Borden Co.,

et al, 261 F.Supp. 771, 782 (E.D.Wis. 1966)

Thus, it was up to cross-appellant to prove that Meyer's attorneys were convinced of such alleged '229 Stoate patent disclosure. Cross-appellant failed completely to assume this burden of proof. If it wanted testimony on the subject of knowledge of Stoate '229 and whether it was withheld from the Patent Office, cross-appellant should have either taken the depositions of Mr. Roston and other Meyer attorneys, or put them on as witnesses at the trial. Having failed to do this or otherwise to assume the burden of proof on this issue, cross-appellant may not now be heard to complain that there was no testimony introduced to support the negative of the proposition which it had the burden of establishing.

There was certainly no testimony of record to the effect that Meyer's Milwaukee patent attorneys knew what the '229 Stoate patent taught concerning a centered optical system or that its Los Angeles patent attorneys even knew of the existence of that Stoate patent at the time they were arguing with the United States.



Patent Examiner that the cited art did not teach the same. Nor does cross-appellant explain why, if the Stoate patent was so pertinent, it was not cited by the United States Patent Examiner who presumably knew the prior art and did cite other Stoate patents against the United States applications which resulted in the patent-in-suit (Exhs. 41, 42, Tr. 2060-2061).

In any event, cross-appellant makes no showing as to why the patent-in-suit would not have issued even though the Patent Office had had Stoate '229 called to its attention. Perhaps instead of arguing about the prior art's not disclosing a "centered optical system", Meyer's attorneys would have pointed out to the Patent Examiner that Stoate '229 does not, as the District Court found, teach spatial filtering since, as Stoate himself admitted, his was merely a direct current detection system (Tr. 2031, 2042).

What cross-appellant would like to see done is to penalize Meyer for anything which it considers misjudgment as to the pertinency of any prior art patents. In this connection it has been held specifically in the National Dairy Products Corp. case, supra, that fraud on the Patent Office is not proved by proving an error in judgment as to the pertinency of any prior art. Moreover, the type of fraud which either invalidates a patent or renders it unenforceable under the principle of the Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., case (324 U.S. 806) cited by cross-appellant, or which might bring the case within the "exceptional" category of §285 of 35 U.S.C., and thus authorize a District Court to award attorneys' fees against







the unsuccessful patentee, is not proved by any or all of the types of conduct on the part of Meyer which are described in cross-appellant's brief.

On pages 69-77 of its brief, cross-appellant cites a number of decisions by the courts in support of various propositions from which it is at least inferentially contended that Meyer's conduct specified by cross-appellant is so wrongful that Meyer should be held to have practiced a fraud upon the Patent Office.

While there is no denying the principle that if fraud is practiced upon the Patent Office in the procurement of a patent, the patent may be invalidated, and, in exceptional cases, attorneys' fees awarded the party charged with infringement of the patent so procured, the courts have been most restrained in concluding that conduct on the part of a patentee constitutes fraud of that character.

Thus, in Duff-Norton Co. v. Ratcliff, 362 F.2d 551 (C.A. 9, 1966), this Court concluded at p. 553:

"In our judgment the prior art which the inventor is accused of failing to reveal is not so undisputably and obviously relevant as to disclose actual knowledge that the subject of the proposed patent was anticipated. In our view the test proposed by Admiral does not apply under these circumstances."

In Admiral Corp. v. Zenith Radio Corp., 296 F.2d 708 (C.A. 10, 1961), the Court of Appeals for the Tenth Circuit, at



pp. 716-717 stated the type of withholding of information which might invalidate a patent, as follows:

"This is not a case of a prior public use of which the Patent Office had no means of gaining information except through the applicant. Here the alleged non-disclosure relates to a significantly different prior patent. If an applicant knows of prior art which plainly describes his claimed invention or comes so close that a reasonable man would say that the invention was not original but had been anticipated, he will not be excused for failure to disclose his knowledge. This case falls outside of that rule. The record sustains the findings of the trial court that the Zenith solicitors acted in good faith and were under no professional obligation or moral duty to call the Andrews patent to the attention of the Patent Office while the application which resulted in 025 was pending."

Nor was patent-invalidating fraud found in the following other cases cited by cross-appellant:

United States v. Standard Electric Time Co.,

155 F.Supp. 949 (D. Mass., 1957);

Triumph Hosiery Mills, Inc. v. Alamance Industries, Inc.,

299 F.2d 793 (C.A. 4, 1962); (aff'g. District Court on grounds other than fraud and holding no fraud proved).



Armour & Co., v. Wilson & Co.,

274 F.2d 143 (C.A. 7, 1960), modifying 168 F.Supp.  
353 (N.D. Ill., 1958).

While fraud was found in Minnesota Mining & Mfg. Co. v. Projection Optics Co., 256 F.Supp. 354 (N.D., N.Y., 1966), in the patentee's having overcome a rejection of its application on a basis not invented by the applicant, defendant's demand for attorneys' fees was nevertheless denied.

Fraud justifying an award of attorneys' fees was found in Stock Equipment Co. v. Beaumont Birch Co., 140 P.Q. 134 (E.D. Pa., 1963). However, in that case it was shown that the defendant had been manufacturing gates or valves incorporating all of the features of the '150 patent there in suit for some 15 years before that patent was applied for, a fact which the inventor knew. Nevertheless, when the inventor and his patent attorney interviewed the Patent Examiner, they demonstrated the difference between the valve of the application and that of a prior patent of the inventor -- making no mention, however, of the anticipating valve so manufactured by defendant for 15 years prior to the filing of the application. This undisputed evidence, coupled with the Court's conclusions concerning the lack of candor of the inventor as a witness, persuaded the District Court to award attorneys' fees.

There are no comparable facts concerning Meyer or its attorneys in the case at bar. As pointed out above, there was no proof that Meyer's Milwaukee attorneys knew of the significance of Stoate '229 in disclosing a centered optical system, or that they had told Meyer's Los Angeles patent attorneys, thereof. In





any event, Stoate '229 is distinguishable in that it does not teach spatial filtering and further does not teach the combination of using alternating current signals to detect small particles in a bottle and of using direct current signals to detect large particles. Furthermore, the patent-in-suit would be validly issued even from the viewpoint of the District Court if the missile and star-tracking patent of Biberman is not properly considered as prior art (Conclusion of Law No. 13, R. 1956).

2. Alleged Failure of Defendant to Tell the  
Patent Office of the Missile Background of  
Calhoun and Williams.

The relevancy of such information to the patent prosecution completely escapes cross-appellee's counsel. The pertinency of prior patents is not determined by the occupation or educational background of the applicants for a patent. Actually, any prior experience of the applicants in the field of missiles is not pertinent since the test of patentability relates to what would have been obvious to a person of ordinary skill in the field of bottle inspection.

"All inventors, regardless of their personal skills, are held to this statutory standard".

In re Warner & Warner, 154 U.S.P.Q. 173, 175 (CCPA, 1967)

3. Alleged Misrepresentation to Patent Office  
Concerning Commercial Success of '640 Patent  
Bottle Inspectors.

Cross-appellant attempts to make much of the fact that,



in the course of prosecuting the continuation application which ultimately resulted in the issuance of the patent-in-suit, Meyer's attorneys stated in an amendment that "Applicant's system has been installed in most of the bottling plants of the United States and has been operating successfully for an extended period of time." (Exh. 41, p. 397), while the true fact was that the system had only been installed in plants of most of the major bottling companies in the United States (Tr. 968-970).

At this point cross-appellant attempts to introduce some confusion by intimating that the successful MARK IV machine, which also included certain improvements of a subsequent '666 patent, did not include the system of the patent-in-suit (see: p. 78 of cross-appellant's brief). This is not correct. The MARK IV machine was the same as the invention of the patent-in-suit except for the inclusion of a prism (Tr. 476-480, 1017).

Then cross-appellant asserts, on the basis of an alleged "stipulation" (referencing Tr. 971, 1025-1026), that in December, 1962, when the representation was so made, there were approximately 7,500 bottling plants in the United States, while there were only 406 MARK IVs out in bottle inspection plants. Cross-appellant does not find any "stipulation" in the referenced trial transcript pages. Admittedly the representation was somewhat in error, but no deceptive intention was proved. It was simply the result of a misunderstanding on the part of the attorney prosecuting the case who apparently put down "bottling plants" when he should have said "major bottling companies" (Tr. 968-970). In any



event, cross-appellant neglects to point out to the Court that the application was not allowed upon the basis of this representation (Exh. 41, pp. 402-405). The application was only allowed later in the course of prosecution after an appeal had been filed and an appeal brief presented which did not repeat the questioned representation concerning commercial success of the machine (Exh. 41, pp. 414-436, 449). Further, as the District Court found, the machine has enjoyed considerable success (Finding No. 12(c), R. 1943), and for all practical purposes the only machines now being sold in the United States for inspecting empty bottles for foreign particles are those being manufactured by Meyer, cross-appellant and Barry Wehmiller Co. (Finding No. 12(d), R. 1943). The latter two machines were developed after the invention of the patent-in-suit by one of the joint inventors thereof and his assistant Husome, who became President of cross-appellant (Finding No. 12(d), R. 1943).

Thus, as it turned out, even though representation to the Patent Examiner of the nature of the commercial success may have been mistakenly made and technically in error, there was actually an unusual degree of commercial success of the invention. Consequently, the presentation was quite harmless and immaterial. Fraud is not made out by cross-appellant's speculations as to what may have crossed the Patent Examiner's mind.

4. The Filing of the Oaths With the Continuation Application of October 5, 1960.

The original application for the patent-in-suit was filed June 12, 1958 (R. 1689-1690). This application was





subsequently abandoned, but before the abandonment became effective, Meyer caused to be filed on October 5, 1960, a continuation application with the identical specification and drawings and the claims which the Examiner had allowed in the earlier application, but with some additional claims describing more broadly the thus disclosed invention (P.T.O.-R. 1691). Cross-appellant contends that because the MARK II machine had been sold as early as 1958, and the MARK IV in 1959, more than one year before the filing of the continuation application, the oaths (Exh. 41, pp. 28-34, 215-218) were fraudulently presented.

The District Court declined to adopt any conclusion of law respecting this contention of cross-appellant because he found the patent-in-suit invalid on other grounds (Conclusion No. 17,- R. 1957). No findings of fact were made by the District Court which would support the conclusion now urged upon this Court by cross-appellant; nor were any such findings submitted to the District Court by cross-appellant in its proposed findings lodged following the District Court's filing of its order and memorandum of June 9, 1967 (R. 1868-1884). While Rule 52(a) provides that "Requests for findings are not necessary for purposes of review", this Court has held that it is not the trier of facts and, where necessary findings are lacking on an appeal, the judgment will be vacated and remanded to the District Court for appropriate findings of fact.

See: Irish v. United States,

225 F.2d 3, 8 (C.A. 9, 1955), and cases therein cited.



In this situation, cross-appellant is in no position to come before this Court and request it to make original findings of fact which would support a conclusion of law which the District Court refused to make and for which cross-appellant now argues here.

However, should this Court determine that it will consider cross-appellant's charge of fraud based upon the oath submitted with the continuation application filed October 5, 1960, cross-appellee asserts that the utter irresponsibility of such a fraud charge will be appreciated from a consideration of the most persuasive authorities and an examination of the three oaths which were submitted with that application by or on behalf of \* the three joint inventors.

The law in this area has been succinctly stated by this Court in Pursche v. Atlas Scraper & Eng. Co., 300 F.2d 467, 476-477 (C.A. 9, 1962), as follows:

\*\*\*Under the doctrine of "late claiming" as exemplified in such cases as Muncie Gear Works v. Outboard Marine & Mfg. Co., 315 U.S. 759, 62 S.Ct.

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\* Because the joint inventor Wyman had left I.D.C. in 1959, and had gone into competition with Meyer in developing a bottle inspection machine which he ultimately sold to Barry Wehmiller Co., Wyman would not execute an oath for the continuation application. Consequently, Mr. Meyer, President of cross-appellee, as assignee of the invention, executed a special oath on behalf of Wyman pursuant to Patent Office Rule 47 (Exh. 41, pp. 32-34).



865, 86 L.Ed. 1171 (1942), a supplemental claim adding new matter to a pending patent application is invalid where intervening use or sale of a device described in the supplemental claim occurred more than one year prior to the filing of that claim. 35 U.S.C.A. § 102(b). It is true that in this case the 090 plow had been in public use for nearly four years before Pursche supplemented his pending patent application with claim 27. But the scope of the invention stated in several claims initially made in that application extended to and included the matter covered in claim 27. Claim 27 added nothing new to the application."

In the Muncie Gear Works case cited by this Court in the last quotation, the Supreme Court held that, where the specification of the application was amended to describe and claim a different invention than that originally described and claimed and such amendment was made more than two years after the invention had been in public use, the claims to such different invention were invalid.

In the case at Bar, neither the specification nor drawings were amended in any way -- only new claims were added, but all were directed to the subject matter shown in the drawings or discussed in the specification and were thus clearly merely a clarification and amplification of the broad claim 15 which was presented with the original application filed June 12, 1958, and read:





"15. The invention substantially as shown and described and any component part thereof, individually or in combination." (See last claim of claims at end of specification, Exh. 40).

While this claim was subsequently cancelled from the original application, it manifested an intent on the part of the inventors to claim as their invention every feature of the invention which they had disclosed in their specification and drawings. Furthermore, several of the other claims in the original application were quite broad in scope and could be considered to encompass the claims in the continuation application (Exh. 40). In this situation, the holding of Muncie Gear has no proper application.

See: Pursche v. Atlas Scraper & Eng. Co., supra;  
Hayes Spray Gun Co. v. E C. Brown Co.,  
291 F.2d 319 (C.A. 9, 1961);  
Jacquard Knitting Mach. Co., v. Ordnance Gauge  
Co., 95 F.Supp. 902, 906-907, (E.D. Pa. 1951);  
108 F.Supp. 59 (E.D.Pa. 1952); aff'd. on  
this point, 213 F.2d. 503, 507-508 (C.A. 3, 1954);  
Eng. Development, Labs. v. R.D.C.,  
153 F.2d. 523 (C.C.A. 2, 1946);  
Coats Loaders & Stackers, Inc. v. Henderson,  
233 F.2d 915, 109 P.Q. 332 (C.A. 6, 1956);  
Nat'l. Latex Prods. Co. v. Sun Rubber Co.,  
274 F.2d 224, 123 P.Q. 279 (C.A. 6, 1959);



Sparton Corp. v. Evans Products Co.,

293 F.2d. 699, 130 P.Q. 387 (C.A. 6, 1961);

Lochlin v. Switzer Bros. Inc.,

299 F.2d 160, 131 P.Q. 294 (C.A. 9, 1961);

Tubular Service & Eng. Co. v. Sun Oil Co.,

220 F.2d. 27, 104 P.Q. 356 (C.A. 5, 1955);

Interchemical Corp. v. Sinclair & Carroll Co.,

144 F.2d 842 (C.C.A. 2, 1944).

The Muncie Gear doctrine was explained and held inapplicable to the situation present in Coats Loaders & Stackers, Inc. v. Henderson, supra, in a particularly enlightening opinion by Judge Stewart (later Mr. Justice Stewart of the Supreme Court of the United States) for the Court of Appeals for the Sixth Circuit.

The rationale of the law in this area has also been well stated by the District Court in the Jacquard Knitting Machine Co., case, supra, at pages 902, 906-907 of 95 F.Supp.

See also: Technicon Instruments Corp. v. Coleman

150 USPQ 227 (N.D. Ill. 1966).

In addition, it should be pointed out that since the decision in the Muncie Gear case in 1942, Congress has enacted as part of the Patent Statutes a Section 120 which reads as follows:

"§120. Benefit of earlier filing date in the United States

"An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the



United States by the same inventor shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. July 19, 1952, c. 950, § 1, 66 Stat. 800." (35 U.S.C. § 120).

Let us then consider the oaths of the inventors which were submitted with the continuation application filed October 5, 1960. Each of these oaths stated in effect that the particular joint inventor had read the specification and claims thus submitted and believed that he was "one of the original, first and joint inventors of the invention or discovery in the BOTTLE INSPECTION SYSTEM claimed and described therein"; and "that this application discloses and claims only subject matter disclosed in our pending application, Serial No. 741,634, filed June 12, 1958; that I do not know and do not believe that the said invention was ever known or used before our invention thereof, or patented or described in any printed publication in any country before our invention thereof, or more than one year prior to said application, or in public use or on sale in the United States more than one year prior to said application;\*\*\*" (Exh. 41, p. 28) [Emphasis added]





The foregoing language of the oath makes it quite clear that the representation was that the invention disclosed and claimed had not been on sale or in public use more than one year prior to the original application of which the application with which the oath was submitted was a continuation. The filing date of the original application was June 12, 1958. The oaths by and on behalf of the joint inventors were thus in no way in error or fraudulent, as cross-appellant charges, nor was the patent granted on the continuation application, invalid under the authorities cited supra pages 53-57.

Apparently recognizing this fact, cross-appellant contends on page 81 of its brief that the oath applies to the new claims and argues that these describe a different invention, so that they should only be accorded a filing date of October 5, 1960, relying on Walker Process Equipment, Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 86 S.Ct. 347. The Walker Process case, however, does not provide any support for cross-appellant's theory. That case related to a counterclaim that a patent was procured by wilfull misrepresentations by Food Machinery to the Patent Office that the invention had not been in public use more than one year prior to the application's filing date. However, in fact Food Machinery had been a party to such a public use. The Supreme Court held that the allegations in the counterclaim stated a valid cause of action against a motion to dismiss the counterclaim. But the Court was careful to point out that it was dealing "only with a special class of patents, i.e., those



procured by intentional fraud." (382 U.S. 176). The case was remanded to the District Court for clarification of the asserted violations and for proof.

In the case at Bar, however, the oath representations make it clear as to what date of application (namely, June 12, 1958) was referred to. If the Patent Examiner felt that the invention described in the added claims was different from that originally claimed, it should have been up to him to call for an oath with reference to the later filing date of October 5, 1960. This he did not do. Furthermore, if the position of appellee should be followed by this Court, no applicant for a patent would ever be able to change the wording of a claim more than one year after the sale of an invention since such change would cause the claim to relate to a different invention than that previously claimed. This is not practical, particularly since many patent applications are not examined by the Patent Office for at least one year after filing so that problems of statutory bars relating to changes in the wording of the claims would have already arisen at the time that the patent application was first examined by the Patent Office.

Moreover, under 35 U.S.C. §120, quoted supra pages 56-7, the continuation application "shall have the same effect, as to" the invention commonly disclosed in both applications, "as though filed on the date of the prior application". If such effect is given to the continuation application, any sales in 1958 of the particle inspector for empty bottles as disclosed



in the applications constitute no bar to the continuation application since they did not occur more than one year prior to the filing of the original application on June 12, 1958.

It should be clear, therefore, that not only was there no fraud practiced by or on behalf of cross-appellee in filing on October 5, 1960 the continuation application with new claims, but the patent-in-suit resulting from such application was entirely valid as against any attack by cross-appellant based upon the Muncie Gear case supra. Cross-appellee had every right to rely on claims first presented to the Patent Office in the continuation application. Cross-appellant's arguments, presented on pages 87 through 94, inclusive, of its brief, may be seen to be entirely without merit in their attack on such claims, and in any event are without any semblance of support for an award of attorneys' fees.

5. Alleged Pursuit by Meyer of Course of Delay and Harrassment.

This outrageous charge constitutes a culmination of the series of utterly unfounded accusations of misuse, fraud and inequitable conduct advanced by cross-appellant. Cross-appellant's theory apparently is that an opponent's counsel proceeds at his client's peril should he fail to concur with proposals as to facts to be admitted or issues to be prosecuted for trial when such facts and issues are advanced by cross-appellant's counsel during the pre-trial days of the litigation.

Moreover, without any evidentiary support beyond the pre-trial order of record, or without having even suggested that





the District Court make any findings of fact in this area, cross-appellant has the audacity to come before this Court for the first time and petulantly assert that its counsel were forced to spend excessive time in working out with counsel for cross-appellee the extensive pre-trial order, in compliance with Rule 9 of the Local Rules of the District Court for the Central District of California. Cross-appellee submits that this Court should wholly ignore such extra-record contentions. Actually, the extensive nature of the pre-trial order resulted primarily from the proposal of a massive pre-trial order by cross-appellant. This proposed pre-trial order was in such form that it required extensive work on the part of cross-appellee's counsel to make the order acceptable both to cross-appellee's counsel and to the District Court.

Lastly, cross-appellant throws before this Court, in Appendices G and H to its brief, contentions that cross-appellee made through the latter's witness, Calhoun, one of the joint inventors, which contentions cross-appellant asserts were "strained" constructions of the patent and unduly prolonged the trial, in an effort to bring plaintiff within Judge Stephens' holding in Monolith Portland Midwest Co. v. Kaiser Alum. & Chem. Corp., 267 F.Supp. 726 (C.D. Calif. 1967). Here, again, cross-appellant's assertions in this respect were never presented to the District Court, who would have been in the best position to evaluate them. Cross-appellee does not propose to augment further the length of this brief (for which cross-appellee apologizes, but which is



required in order to answer cross-appellant's incredible theories of the law and misinterpretation of the facts), by attempting to show that its contentions at the trial listed in said appendices were justifiable. If cross-appellant is really serious about its assertions concerning cross-appellant's contentions, the case should be remanded for findings of fact by the District Court in respect of these contentions. Certainly, this Court should not be asked for the first time to consider them and to make findings of fact with respect thereto.

Upon any such remand, cross-appellant must appreciate that the facts present in the case at Bar upon which it relies to support its claim for attorneys' fees, are a far cry from those summarized on page 787 of 267 F.Supp. in the Monolith case, supra.

#### IV. CONCLUSION

Cross-appellant has failed to carry its burden of showing that the Findings of Fact and Conclusions of Law of the Trial Court are not supported by the record, and are clearly erroneous. In fact, from the almost total absence of discussion of the Trial Court's findings, it appears that cross-appellant has not even attempted to do so.

On the basis of the foregoing argument, it is respectfully submitted that the Findings of Fact and Conclusions of Law made by the Trial Court on the misuse



issues involved in this cross-appeal, are amply supported by the record and the legal authorities discussed.

DATED: July 11, 1968.

Respectfully,

DAVID BECKWITH,  
ELLSWORTH R. ROSTON and  
WILLIAM H. PAVITT, JR.

By

William H. Pavitt, Jr.





CERTIFICATE

I certify that, in connection with the preparation of this Answering Brief, I have examined Rule 28 of the Federal Rules of Appellate Procedure and that, in my opinion, the foregoing brief is in full compliance with that Rule.

William H. Pavitt, Jr.



AFFIDAVIT OF SERVICE

The undersigned hereby certifies that three (3) copies of the within Cross-Appellee's Answering Brief were this 11th day of July, 1968, served upon Martin R. Horn, Esq., Attorney for Appellant, by enclosing the same in a postpaid wrapper addressed to said attorney at 6380 Wilshire Boulevard, Los Angeles, California 90048, and depositing the same in the United States mails.

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William H. Pavitt, Jr.

